



16 February 2016

## Ferrum Crescent Limited

("Ferrum Crescent", the "Company" or the "Group")(ASX: FCR, AIM: FCR, JSE: FCR)

### Option to Acquire Interests in Lead-Zinc Exploration Projects in Spain

#### Highlights:

- Option entered into to potentially acquire 100 per cent. of GoldQuest Iberica, S.L. ("**GoldQuest**"). GoldQuest, a private company incorporated in Spain, owns 100 per cent. of two lead-zinc exploration projects in the provinces of León and Galicia, in historic Spanish mining areas (the "**Iberian Projects**").
- Up to £22,500 staged fee, in part shares and part cash, to be paid by Ferrum Crescent in return for an exclusive option, valid until 31 July 2016, to enable the Company to conduct due diligence on GoldQuest and the Iberian Projects. If exercised, Ferrum Crescent, will be required to:
  - pay up to approximately £320,000 in cash consideration (calculated as a fixed amount of £250,000 plus a further cash payment comprising the lesser of 50 per cent. of GoldQuest's current liabilities and £92,500, minus the abovementioned option consideration); and
  - issue, credited as fully paid, 100 million new ordinary shares in the capital of Ferrum Crescent ("**Ordinary Shares**").
- The Board believes this is a good price for the acquisition of GoldQuest, if the option is exercised, reflecting the inherent opportunities available in the current depressed market conditions for the mining sector.

Ferrum Crescent, the ASX, AIM and JSE quoted mining developer announces that, on 15 February 2016, it entered into an option and sale agreement (the "**Option and Sale Agreement**") for a staged option fee of up to £22,500, with TH Crestgate GmbH ("**Crestgate**"), a private Swiss-based company, in respect of the potential acquisition of GoldQuest, its indirect wholly-owned subsidiary. The Option and Sale Agreement affords the Company an exclusive option, valid until 31 July 2016, to acquire 100 per cent. of GoldQuest's issued share capital (the "**Option**"), for an aggregate consideration of approximately £465,000 (based on the Company's closing mid-market share price on 12 February 2016 of 0.145 pence per Ordinary Share), to be satisfied principally in cash and partly by the issue of new Ordinary Shares. The Option is exercisable entirely at Ferrum Crescent's discretion.

GoldQuest owns 100 per cent. of licences covering 2,024ha in the Province of León (the “**Toral Project**”) and 100 per cent. of licences in the Province of Galicia (the “**Lago Project**”), all such licence areas being located in northern Spain and having high prospectivity for lead and zinc.

In light of the Company’s principal Moonlight Iron Project (the “**Moonlight Project**”) now being progressed pursuant to the terms of the previously announced bankable feasibility study (“**BFS**”) farm-in and joint venture funding arrangement with Business Venture Investments No. 1709 (Proprietary) Limited (“**BVI**”), the Board of Directors of Ferrum Crescent (the “**Board**”) has been seeking to identify attractive new project opportunities, in the current conducive market conditions, whereby cost effective and targeted exploration expenditure has the potential to create visible and meaningful medium to long term value for the Company’s shareholders.

The Board believes that the prevailing market prices for lead and zinc will strengthen further, underpinned by an anticipated fall in market supply. Accordingly, it believes that the more advanced Toral Project, in particular, with significant exploration data already available and being located within a politically stable and historic mining region, represents a cost effective opportunity to enter this market sector.

Further to an initial analysis of the Toral Project’s assets, the Company has secured the Option to acquire GoldQuest for the following principal reasons:

- The Board believes that analysis of the results from 42km of historic drilling, together with limited additional exploration work, can readily advance the Toral Project.
- Establishment of enhanced resource estimate and process recovery is considered to be highly feasible.
- The Toral Project’s asset is open to major reinterpretation. The Board believes that the scale of the asset has been substantially underestimated previously and will seek to re-examine the geological model.
- Spain is increasingly supportive towards its mining sector - projects are being progressed into production and are subject to EU governance standards with respect to corporate, environmental and supply chain transparency.

A further announcement in respect of the potential exercise of the Option will be made in due course following, *inter alia*, the completion of comprehensive due diligence investigations on GoldQuest and the Iberian Projects.

**Commenting today Tom Revy, Managing Director of Ferrum Crescent, said:**

*“With our Moonlight Project in South Africa now being progressed pursuant to the previously announced farm-in and joint venture agreement with BVI, the Board is seeking to take advantage of the prevailing deep trough in asset prices to acquire additional low-cost assets in an attractive sector and region to augment the group’s asset portfolio and provide the opportunity to create shareholder value over the medium and longer term.*

*“In our view, the fundamentals for lead-zinc are extremely attractive, despite the generally depressed global commodity markets. Therefore, we have secured the Option over these attractive assets, which have historically had significant exploration*

*work performed on them and are located in a stable, mining-friendly region. For a relatively small outlay, we believe that a focused work programme including geological and metallurgical reinterpretation, could significantly progress these Iberian exploration projects towards development readiness and diversify our project risk whilst we continue to progress our flagship Moonlight Project.”*

### **Further Terms of the Option and Sale Agreement**

The exclusive Option is valid until 31 July 2016 and is exercisable entirely at the discretion of Ferrum Crescent. The Company will undertake comprehensive due diligence on GoldQuest and the two Iberian Projects during the Option period. Pursuant to the terms of the Option and Sale Agreement, the staged Option consideration comprises:

- i) £6,500 which will be satisfied within the next day by the issue of 4,515,041 new Ordinary Shares to Crestgate (based on the volume weighted average closing mid-market price for an Ordinary Share on AIM for the preceding ten business days prior to entering into the Option and Sale Agreement) (the “**Option Fee Shares**”) and a cash payment of £1,000;
- ii) a further cash payment to Crestgate of £7,500 on or before the fifth business day in March 2016; and
- iii) a final cash payment to Crestgate of £7,500 on or before the fifth business day in April 2016.

Application will be made for quotation of the Option Fee Shares on the Australian Securities Exchange and the JSE Limited and to the London Stock Exchange plc for such shares to be admitted to trading on AIM (“**Admission**”). It is expected that Admission of the Option Fee Shares will become effective and that dealings in the Option Fee Shares will commence on AIM at 8.00 a.m. on 19 February 2016. The Option Fee Shares will be fully paid and will rank *pari passu* in all respects with the Company’s existing Ordinary Shares. Following Admission, the total issued ordinary share capital of the Company will comprise 623,302,394 Ordinary Shares.

Under the terms of the Option and Sale Agreement, should the Company elect to exercise the Option and acquire GoldQuest during the exercise period, the consideration payable to Crestgate comprises:

- up to approximately £320,000 in cash consideration (calculated as a fixed amount of £250,000 plus a further cash payment comprising the lesser of 50 per cent. of GoldQuest’s current liabilities and £92,500, minus the abovementioned Option consideration); and
- the issue, credited as fully paid, of 100 million new Ordinary Shares in the capital of Ferrum Crescent (the “**Consideration Shares**”), having an aggregate value of £145,000, based on the Company’s closing mid-market share price on 12 February 2016 of 0.145 pence per Ordinary Share.

Pursuant to the terms of the Option and Sale Agreement, Crestgate and GoldQuest have provided certain customary representations and warranties to the Company in respect of GoldQuest and its Iberian Projects. In addition, the Company has provided certain limited representations and warranties to Crestgate and GoldQuest.

In addition, Crestgate has agreed that it will not, during a period of 12 calendar months from the date of their issue, sell or transfer any of the Consideration Shares, except in certain restricted circumstances.

The Option and Sale Agreement also provides for Crestgate to have the right to nominate an appointee to the board of Ferrum Crescent (subject to regulatory approvals) upon the issue and allotment of the Consideration Shares.

### **Further Information on GoldQuest and the Iberian Projects**

GoldQuest is a private company incorporated in Spain which owns 100 per cent. of both the Toral Project and the Lago Project in northern Spain, each having high prospectivity for lead and zinc.

For the unaudited 12 month period ended 31 December 2014, GoldQuest incurred a pre-tax loss of €118,553 (approximately AU\$188,180) and as at 31 March 2015 had unaudited gross assets of €630,000 (approximately AU\$1,000,000).

#### ***Toral Project***

The Toral Project has been extensively explored historically by its previous owners Portex Minerals Inc. and Lundin Mining S.L. and the 2,024ha of mineral rights contains extensive high grade zinc mineralisation. Located in north-west Spain, approximately 400km north-west of Madrid, the project's licence area hosts excellent road, rail and power infrastructure and is situated in a known historic mining jurisdiction. The asset also has a pre-existing NI 43-101 resource estimate reported by Micon International Co. Limited on 30 April 2012.

Initial analysis of the Toral Project's metallurgical characteristics has led the Board to believe that economic separation of metals is highly feasible and that meaningful progress can be achieved in a cost effective manner through the reinterpretation of existing data, including the results of 42km of historic drilling conducted to date, and through the targeted exploration of numerous priority shallow exploration targets along a 3.6km corridor.

#### ***Lago Project***

The Lago Project is located approximately 54km to the north-east of the Toral Project. Historical investigations completed by or on behalf of the Spanish mining firm, Exploracion Minera International Espana S.A. ("EXMINESA"), between 1985 and 1990, indicated that mineralisation at the Lago Project may be similar to that encountered at the Toral Project with vertical, lenticular bodies (probably more than one) approximately 800m long by 300m wide.

To date, exploration campaigns have seen 29 out of a total of 37 drill holes intersect Zn/Pb mineralisation. Historic drill results reported by EXMINESA include: 9.5m grading at 9.54% combined lead and zinc and 7.5m grading at 14.75% combined lead and zinc, with the mineralised structure estimated to be 1.3km in length.

The Lago Project is also situated 20km from the Rubiales Mine (owned by Teck Resources Limited / Cominco Limited), which was in production from 1976 to 1992.

For further information on the Company, please visit [www.ferrumcrescent.com](http://www.ferrumcrescent.com) or contact:

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### Notes to Editors:

Ferrum Crescent's principal project is the Moonlight Iron Project located in Limpopo Province in the north of South Africa. The Moonlight Deposit (upon which the Project is based) is a magnetite deposit located on the Moonlight, Gouda Fontein and Julietta farms and is the main operational focus for the Company. Iscor Limited ("Iscor"), which explored the Project in the 1980s and '90s, reported mineralisation capable of producing a concentrate grading at 68.7% iron. At that time, Iscor concluded that the deposit, which was described as being comparable to the world's best, was easily mineable due to its low waste-to-ore ratio. The beneficiation attributes of Moonlight ore are extremely impressive, with low-intensity magnetic separation considered suitable for optimum concentration.

Metallurgical tests on Moonlight material, undertaken since then by Ferrum Crescent, suggest that Iscor's historical results are conservative, that good metal recoveries can be achieved, and that the resulting concentrates have a high iron content and only negligible impurities, at grind sizes considered to be industry standard (P80 of 75 - 125 microns).

Key features of the Project to date are:

- JORC (2012) compliant Mineral Resource;
- Historical drilling, drilling by the Group, geological modelling and a high density geophysical survey conducted by the Company in 2012 confirm tonnage upside potential;
- 30 year Mining Right granted;
- Environmental licence (EIA) in place for the Moonlight mining area (approved 4 April 2013);
- Metallurgical test work indicates the potential for high quality concentrate and/or pellets with in excess of 69% iron content and low deleterious elements (DR grade pellets for use in direct reduction iron/electric arc steel-making processes);

- The quality of product that can potentially be produced at Moonlight is a clear differentiator against its industry peers, as is the access to infrastructure (port, power and rail);
- Duferco offtake partner (4.5 Mtpa plus first right on a further 1.5 Mtpa if not sold domestically). South Africa currently has a growing demand for high grade iron concentrate and/or pellets for its steel industry;
- Independent valuation by The Mineral Corporation completed in June 2014 - this valuation served as the basis for the recent BVI (Ovation Capital) transaction;
- BEE compliant South African investment company (BVI) will provide a completed BFS to the Group by 2018/19 at no expense to the Group in return for a 39-43% equity position in the Project;
- Located near Kumba railhead at Thabazimbi (Kumba operation depleting in grade), Limpopo Province, northern South Africa;
- New Eskom power plant (4,800MW) commissioning first 800MW module;
- Richards Bay port expansion for potential export of future iron ore products; and
- Local community, Ga-Seleka, has an effective 3% carried interest in the Project.